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Research Paper

Canadian Trade Highlights

Canada's Trade with Russia: 1998 to 2007

by Jafar Khondaker

International Trade Division
Jean Talon Building, 9th floor, 170 Tunney's Pasture Driveway
Ottawa, Ontario K1A 0T6

Telephone: 613-951-9647

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Jafar Khondaker

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Note of Appreciation

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Summary

Russia has been growing in importance as a trading partner with Canada during the past decade, even though our trade with the giant represents only about 0.3% of our total trade with the world.

Between 1998 and 2007, Canada's merchandise trade with Russia far more than doubled (+154%). This rate of growth was four times the increase in our total world trade during the same period.

During this decade, Canada has always had a trade deficit with Russia. The deficit peaked at $1.2 billion in 2005, then narrowed considerably to $289.4 million in 2007.

Of Canada's 10 top exported products to Russia in 2007, seven were manufactured goods. They accounted for over 84% of total exports to Russia in 2007.

The commodities in Canada's top imports from Russia have changed little in the last decade although their relative shares have changed significantly. In 1998, imports of mineral fuels represented 15.1% of our total imports from Russia. By 2007, they represented more than two-thirds.

In recent years, our trade deficit with Russia has been driven mainly by mineral fuels. If mineral fuels were excluded, Canada would have posted a trade surplus of more than $704 million with Russia in 2007.

This article highlights the growth in Canada's merchandise trade with Russia during the last 10 years.

The Russian economy: A snapshot

Russia is booming after emerging successfully from the economic downturns of the early 1990s that culminated in the country's 1998 financial crisis. Between 1990 and 1998, economic output in Russia as measured by real gross domestic product declined at an average annual rate of 6.6%.

Since 1999, the country has maintained stable economic growth, averaging 6.7 % a year, thanks largely to lofty oil and gas exports and, to a lesser extent, growing consumer demand and investment.

By 2006, the country ranked 11th in the world in terms of GDP, with an estimated output of US$987 billion.[1]

Russia has run budget surpluses since 2001; it ended 2006 with a surplus of 5.4% of GDP. Inflation was 9.0 % in 2007, down from 9.7% in 2006, when the country saw inflation below 10% for the first time in the past decade.

In 2007, inward foreign direct investment of the country was estimated at US$47.1 billion, after it almost doubled to US$30 billion between 2005 and 2006.

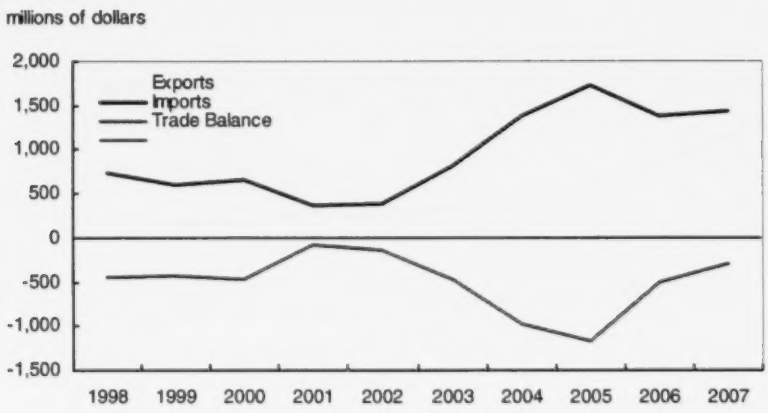
By above accounts, Russia presents great potential for economic growth, and great opportunities for Canadian businesses.

1. In comparison, Canada ranked 8th with a GDP of US$1.25 trillion in 2006. The global rankings in terms of GDP as well as the 2006 income figures are obtained from the World Bank's 'World Development Indicators' database, released in July 2007. Latest data available from the Ministry of Finance of the Russian Federation for the first three quarters of 2007 put the estimated annualized GDP in 2007 at US$1.2 trillion. On the other hand, latest published data put Canadian GDP at current prices in 2007 at US$1.42 trillion.

Growing importance as a trading partner with Canada

In 2007, Canada's total merchandise trade with Russia stood at $2.6 billion, up 154% from the level in 1998 (Figure 1).[2] This was four times the rate of growth of 38.6% in Canada's total world trade. Even so, Russia accounts for only 0.3% of Canada's total trade with the world.

Chart 1 Canada's Merchandise Trade with Russia, 1998 to 2007



Source: Statistics Canada, 2008, Canada's trade with Russia: 1998-2007, catalogue number 65-508-XWE.

Our total exports to Russia grew to $1.15 billion in 2007 from $288.1 million a decade earlier.[3] Imports from the country almost doubled to $1.4 billion from $730.6 million in 1998.

Manufactured goods dominate Canadian exports to Russia

Of the top 10 exports, which accounted for over 84% of total exports to Russia in 2007, seven were manufactured goods. These goods included, among others, industrial and agricultural machinery, automotive products, optical, photo and medical instruments, electronics, and aircraft and parts.

Recent gains in exports were led mostly by industrial and agricultural machinery, automotive products, meat products, and aircraft and parts. The industrial and agricultural machinery group is the largest component of Canada's exports to Russia, accounting for over 36% of total exports to the country.

This group has shown a relatively constant growth over the decade, rising from $51.5 million in 1998 to $416.7 million in 2007.

2. See About the data.
3. This is quite considerable given that much of the decade (1998-2007) was characterized by a drastic decline in the value of the Russian Ruble following the 1998 financial crisis. The Canadian dollar's annual appreciation against the Russian Ruble averaged 21.1% over 1998-2007.

Table 1.a Leading Canadian exports to Russia, 1998

Rank	Commodity group	Value	Share of total exports to Russia
		millions of dollars	percentage
1	Industrial and agricultural machinery	51.5	17.9
2	Tobacco	36.4	12.6
3	Electrical machinery	27.8	9.6
4	Plastic	25.3	8.8
5	Meat	25.0	8.7
6	Vehicles, not railway	15.8	5.5
7	Iron and steel products	12.3	4.3
8	Miscellaneous food	10.2	3.5
9	Prepared meat, fish	8.4	2.9
10	Woven apparel	7.7	2.7
Total (top ten)		220.4	76.5
Total exports		228.1	100.0

Data source: Statistics Canada, International Trade Division, 2008.
Table source: Statistics Canada, 2008, Canada's Trade with Russia: 1998 to 2007, catalogue number 65-508-XIE.

Table 1.b Leading Canadian exports to Russia, 2007

Rank	Commodity group	Value	Share of total exports to Russia
		millions of dollars	percentage
1	Industrial and agricultural machinery	416.7	36.3
2	Meat	150.3	13.1
3	Vehicles, not railway	137.6	12.0
4	Fish and seafood	55.8	4.9
5	Optical, medical instruments	44.4	3.9
6	Electrical machinery	43.1	3.8
7	Plastic	39.0	3.4
8	Aircraft, spacecraft	38.3	3.3
9	Live animals	23.8	2.1
10	Tools, cutlery, etc.	18.9	1.6
Total (top ten)		967.8	84.3
Total exports		1147.6	100.0

Data source: Statistics Canada, International Trade Division, 2008.
Table source: Statistics Canada, 2008, Canada's Trade with Russia: 1998 to 2007, catalogue number 65-508-XIE.

Mineral products, precious stones and beverages are Canada's major imports from Russia

The commodity mix of Canada's imports from Russia has changed little in the last decade. Of the 10 leading commodities imported in 1998, eight remained on the list of 10 leading commodities imported in 2007. They accounted for 93.4% of total imports from Russia.

The surge in imports since 2003 has been caused by a boost in imports of mineral fuels, primarily crude oil. Imports of mineral fuels represented 15.1% of our total imports from Russia in 1998. These imports made up more than two-third of Canada's total imports from the country in 2007.[4]

Other leading imports from Russia include precious stones and metals; fertilizers; beverages; iron and steel products; fish and seafood.

Beverage imports increased an astonishing 20-fold from $2.6 million in 1998 to $52.4 million ten years later. At the other end, Canadian imports of fish dropped more than two-thirds; they accounted for only 2.6% of our total imports from Russia in 2007.

Table 2.a Leading Canadian imports from Russia, 1998

Rank	Commodity group	Value	Share of total imports from Russia
		millions of dollars	percentage
1	Iron and steel	307.4	42.1
2	Fish and seafood	121.5	16.6
3	Mineral fuel, oil	110.2	15.1
4	Inorg chem; rare earth metals	42.8	5.9
5	Other base metals, nesoi	32.7	4.5
6	Aluminum and articles thereof	28.8	3.9
7	Precious stones	25.1	3.4
8	Fertilizers	12.8	1.8
9	Ores, slag, ash	7.3	1.0
10	Wood	6.6	0.9
Total (top ten)		695.2	95.2
Total imports		730.7	100.0

Data source: Statistics Canada, International Trade Division, 2008.
Table source: Statistics Canada, 2008, Canada's Trade with Russia: 1998 to 2007, catalogue number 65-508-XIE.

4. It is important to note that a bulk of the above rise in the imports of mineral fuels reflects the growth in price which increased by 187% between 1997 and 2006.

Table 2.b Leading Canadian imports from Russia, 2007

Rank	Commodity group	Value	Share of total imports from Russia
		millions of dollars	percentage
1	Mineral fuel, oil	1,000.9	69.6
2	Precious stones	65.6	4.6
3	Fertilizers	52.6	3.7
4	Beverages	52.4	3.6
5	Iron and steel	47.9	3.3
6	Fish and seafood	36.9	2.6
7	Aluminum and articles	26.3	1.8
8	Inorg chem; rare earth metals	21.2	1.5
9	Wood	21.2	1.5
10	Rubber	17.9	1.2
Total (top ten)		1,342.9	93.4
Total imports		1,437.0	100.0

Data source: Statistics Canada, International Trade Division, 2008
Table source: Statistics Canada, 2008, Canada's Trade with Russia: 1998 to 2007, catalogue number 65-508-XIE.

Shrinking trade deficit

Canada's imports from Russia have been consistently larger than our exports to the country, although they have shown much volatility over the last decade.

In recent years, however, Canadian exports to Russia have grown considerably on the strength of industrial and agricultural machinery, automotive products, meat, fish and seafood.

As a result, our trade deficit with Russia has narrowed from $442.5 million in 1998 to $290.9 million in 2007, after peaking at $1.2 billion in 2005. The 2005 peak was caused by a large increase in crude oil imports (compared to 2004), followed by a sharp decline in 2006.

In recent years, our trade deficit with Russia has been driven mainly by mineral fuels. If mineral fuels were excluded, Canada would have posted a trade surplus of more than $704 million with Russia in 2007.

About the data

Trade data in this report are Canadian seasonally unadjusted HS-based customs data. Customs-based trade statistics more accurately measure imports than exports. This occurs because Customs agents are typically more vigilant with respect to goods entering the country than they are with those leaving the country. According to Canadian Trade Statistics, canadian exports to Russia in 2006 amounted to $870 million. But, as reported in the UN COMTRADE database, the corresponding Russian published imports from Canada for the year were valued at $1,023.3 million (after conversion to Canadian funds using the 2006 Canada-US exchange rate). Country misallocation, price mark-ups and valuation differences are often major contributors to the discrepancy between the trade data published by the two partner countries involved.